

## **FISCAL NOTE**

### **SB 3924 - HB 4036**

March 6, 2008

**SUMMARY OF BILL:** Requires all four-year olds to attend a pre-kindergarten (Pre-K) program before admittance to kindergarten. Currently Pre-K attendance is voluntary and not required for admittance. Requires an appropriation for Pre-K funding each year by the General Assembly from excess net lottery proceeds.

#### **ESTIMATED FISCAL IMPACT:**

**Increase State Expenditures –**

**\$235,528,500/FY08-09**

**Exceeds \$200,000,000/FY09-10 and in Succeeding Years**

**Increase Local Expenditures\* -**

**\$83,509,500/FY08-09**

**Exceeds \$80,000,000/FY09-10 and in Succeeding Years**

**Other Fiscal Impact – Increases the expenditure of lottery proceeds earmarked for scholarships and grants by \$15,000,000 in FY08-09. Increases the expenditure of lottery proceeds by unknown amounts up to \$10,000,000 per year beginning in FY09-10. Additional appropriations from the General Fund will be required to meet the provisions of this bill. Such appropriation required for FY08-09 is estimated to be \$235,528,500. Appropriations required for FY09-10 and succeeding years estimated to exceed \$200,000,000 per year.**

**Assumptions:**

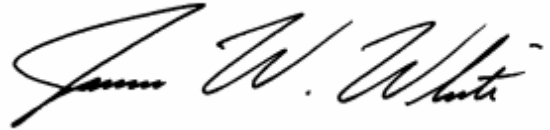
- Excess net lottery proceeds do not include any surplus currently within the Lottery for Education Account.
- Appropriations from annual excess net lottery proceeds will not be sufficient to fully fund an expansion in Pre-K for all students. Therefore, an additional appropriation from the General Fund and additional local expenditures will be required.

- According to the Department of Education and the Comptroller, approximately 54,000 additional students will be required to attend Pre-K programs. Each classroom will have approximately 18 students. An additional 3,000 classrooms will be needed (54,000 students/18). The cost per classroom for FY08-09 is \$111,346. Total cost for expansion will be \$334,038,000 (3,000 x \$111,346).
- Pre-K costs are currently split between state and local governments using the BEP classroom component average split of 75 percent state and 25 percent local match. Therefore, the state will be responsible for funding approximately \$250,528,500 (\$334,038,000 x 75%); local governments will be responsible for funding approximately \$83,509,500 (\$334,038,000 x 25%).
- The mid-point of the range adopted by the State Funding Board in December 2007 for estimated net lottery proceeds in FY08-09 is \$285,000,000. Expenditures of net lottery proceeds for funding the lottery scholarship program in FY08-09 are estimated by the Tennessee Higher Education Commission (THEC) to be \$238,000,000.
- THEC requires approximately \$7,000,000 per year to administer a fully-implemented lottery scholarship program.
- The Governors FY08-09 Recommended Budget has a \$25,000,000 appropriation for Pre-K funding..
- Excess net lottery proceeds in FY08-09 are estimated to be \$15,000,000 (\$285,000,000 - \$238,000,000 - \$7,000,000 - \$25,000,000 = \$15,000,000). Therefore, \$15,000,000 will be available for additional appropriations to Pre-K programs for FY08-09. Under current law, these funds will be allocated to the Lottery for Education Account.
- The additional appropriation required from the General Fund in FY08-09 is estimated to be approximately \$235,528,500 (\$250,528,500 - \$15,000,000).
- Appropriations in FY09-10 and succeeding years are dependent upon multiple unknown factors such as the extent of excess net lottery proceeds, the extent to which the General Assembly appropriates such excess funding, Pre-K classroom costs, population increases, etc. As a result, determining precise estimates for the required appropriations in subsequent years is problematic. Such General Fund appropriations are reasonably estimated to exceed \$200,000,000 per year in FY09-10 and succeeding years. Appropriations from excess net lottery proceeds are reasonably estimated to be \$10,000,000 or less in FY09-10 and succeeding years.
- Local government expenditures are reasonably estimated to exceed \$80,000,000 in FY09-10 and succeeding years.

*\*Article II, Section 24 of the Tennessee Constitution provides that: no law of general application shall impose increased expenditure requirements on cities or counties unless the General Assembly shall provide that the state share in the cost.*

**CERTIFICATION:**

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, reading "James W. White". The signature is fluid and cursive, with the first name "James" written in a larger, more prominent script than the last name "White".

James W. White, Executive Director

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